

PUBLIC HEARING SIGN-UP SHEET

DATE/TIME: FEBRUARY 22, 2017 @ 6:00PM

STAFF: RYI, LHA, TG, MJK, ET

CITY/ISLAND: Honolulu, Oahu

Court Reporter: Adrienne Ho

PLACE/ADDRESS: Ala Wai Elementary School Cafeteria; 503 Kamoku Street

DOCKET NO./APPLICANT: 2016-0328, Hawaiian Electric Company, Inc.

SUBJECT: Application for Approval of Rate Increases and Revised Rate Schedules and Rules

(PLEASE PRINT)

	NAME	ORGANIZATION
1.	Alan Oshima written testimony	HECO
2.	Don Visk written testimony	DCA
3.	Y. King	SELF
4.	Carl Caliboso written testimony	EFCA
5.		



Hawaiian Electric Rate Case Opening Statement
Feb. 22, 2017

- Good evening Chairman Iwase, Commissioner Akiba, Commissioner Gorak, and members of the audience. My name is Alan Oshima and I am president and CEO of Hawaiian Electric Company.
- Let me begin by thanking the commission for allowing me to speak. I am also grateful to all of you who came tonight to listen and share your thoughts. Your feedback is important to us. My staff and I will be available after the hearing and will be available to talk with you if you have further questions or comments.
- We're asking for our first base rate increase in six years. I know that no one wants to pay more, so in this proceeding we need to demonstrate that we provide safe, reliable electric service and at the same time are making real progress in replacing fossil fuels with renewables.
- We're asking for a 6.9 percent increase in net revenues, or \$106 million. That would add \$8.71 to the typical residential bill each month. The revenue increases are needed to achieve our clean energy objectives and keep our service reliable.
- In six years, Oahu has seen the number of private rooftop solar systems rise from 5,000 to 55,000. Hawaiian Electric increased its resources to expedite the review, inspection and approval of these systems so they can be safely connected to the grid.
- We have also invested in research that has been nationally recognized and developed technical solutions that have enabled the safe integration of renewables like wind and solar while maintaining our reliability. We must continue to invest in new technologies to move aggressively to our 100% renewable energy goal.
- Since 2011, Hawaiian Electric has spent more than \$900 million to improve the resilience and efficiency of the Oahu power grid. This

includes modernizing generation equipment to accept more renewable energy, replacing and upgrading transmission lines, replacing 4,800 transformers and nearly 7,000 poles.

- That work also includes advancing our cybersecurity measures to ensure that there is a robust and highly adaptable wall protecting our grid and data systems. In the six years since our last rate review, cybersecurity has become a huge challenge nationally and locally. To give you a sense of the scope of this problem, there are days when our company can document more than 100,000 separate probes or attempts to access our system by hackers from around the world.
- Because the electric bill is a concern for our customers, we have also included in our filing many examples of cost containment, productivity improvements and other measures that we use to provide electric service in a cost effective manner.
- Thank you for this opportunity to briefly describe our rate increase application. As I said, we will be available after the hearing to answer your questions and concerns.

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**PUBLIC HEARING
HAWAIIAN ELECTRIC COMPANY, INC.
DOCKET NO. 2016-0328**

**Presentation of Dean Nishina, Executive Director
Division of Consumer Advocacy
Wednesday, February 22, 2017
6:00 p.m.
Ala Wai Elementary School Cafeteria
503 Kamoku Street
Honolulu, Hawaii**

Good evening Chair Iwase, Commissioner Akiba, and Commissioner Gorak. My name is Dean Nishina, Executive Director for the Division of Consumer Advocacy in the Department of Commerce and Consumer Affairs, also known as the Consumer Advocate. The Consumer Advocate represents the interests of the consumers in public utility matters by advocating for reliable utility services at reasonable customer costs. I am here this evening to listen to the community's comments regarding Hawaiian Electric Company, Inc.'s proposed general rate increase and revised rate schedules and rules.

The Consumer Advocate will take an independent look at Hawaiian Electric's request for a rate increase and assess whether the request is reasonable. As part of our analysis, we will be conducting discovery, where we will seek data to evaluate the company's support for the requested rate increase. Then, later in this proceeding, we will submit testimonies and exhibits that convey our analyses and recommendations to the Commission for their decision on the requested relief.

We encourage the public to express their opinions to the Commission regarding Hawaiian Electric's proposal. This will assist both the Consumer Advocate and the Commission in our work.

Public Hearing
Docket No. 2016-0328
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As we move forward, please feel free to contact the Consumer Advocate's office at any time to share your thoughts, concerns, and questions regarding this or any other utility matter.

Thank you for the opportunity to offer these comments.

Contact information for the Division of Consumer Advocacy:

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E-mail	dca@dca.hawaii.gov
Phone	(808) 586-2800
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IN THE MATTER OF THE
APPLICATION OF HAWAIIAN ELECTRIC COMPANY, INC.
FOR APPROVAL OF RATE INCREASES AND
REVISED RATE SCHEDULES AND RULES
Docket No. 2016-0328

PUBLIC HEARING
February 22, 2017

**STATEMENT OF ENERGY FREEDOM COALITION OF AMERICA, LLC
REGARDING DEMAND RATCHETS**

The Energy Freedom Coalition of America, LLC ("EFCA") thanks the Public Utilities Commission ("Commission") and Hawaiian Electric Company, Inc. ("HECO") for convening this public hearing on HECO's Application for Approval of Rate Increases and Revised Rate Schedules and Rules, in Docket No. 2016-0328 ("Rate Case"). EFCA is participating in this public hearing specifically to note a concern regarding the structure of certain commercial and industrial rates which significantly impairs customers' ability to benefit from the deployment of energy storage systems.

A number of HECO tariffs, specifically HECO rates schedules J and P, include what is known as a "demand ratchet". Essentially, this rate structure fixes the monthly demand charges that a customer is charged each month over the course of a year to the customer's highest 15-minute demand for the previous 11 months. Demand ratchets, like those employed by HECO amplify the variability and customer risk of a demand charge significantly. Additionally, they are punitive and not cost based. As a practical matter, this rate structure greatly limits the value that customers can realize through the deployment of energy storage, despite the ability of storage to manage customers' energy demand in real-time. Similarly, it limits the incentive to deploy other demand management technologies or tools, including energy efficiency, or other load controls, like programmable thermostats. To put this issue in layman's terms, demand ratchets are akin to getting a ticket for speeding in January, and receiving a ticket based, in part, on your January speed every month for the rest of the year, even if you significantly reduced your speed in all months for the remainder of the year. Such an approach is not only unfair, it also creates perverse incentives whereby drivers have nothing to lose by speeding in all months since they are going to get a ticket for doing so regardless. Similarly, in the case of demand ratchets, customers have limited incentive to more effectively manage their impacts on the grid since regardless of their behavior, the amount they pay in demand charges is largely pre-determined.

While the specific details of HECO's demand ratchet may vary slightly from other existing demand ratchet structures across the country, the practical implications are the same. The ability of customers to reduce their exposure to demand charges, regardless of their underlying behavior, is significantly undermined because the "ratchet" element of the rate not only sets a minimum floor below which their demand charges cannot fall, but establishes a customer's billing demand based, in part, on their highest 15-minute peak for an entire year. This rate design significantly blunts the economic incentive provided to the customer to reduce their contribution to system peak demand. Further, as previously stated,

demand ratchets are not cost-based, as a customer's maximum 15-minute billing demand, on which the ratchet is based, can be set even when the system is experiencing the very lowest demand of the year.

To the degree that the objective of demand charges is to ensure that customers pay their fair share of their contribution to peak demand and the associated infrastructure necessary to meet peak demand, EFCA submits that monthly demand charges based on a demand ratchet are not an appropriate rate design. Instead, monthly demand charges should be based solely on a customer's monthly maximum peak demand coincident with system peak hours. Establishing billing demand in this manner is cost-based, and provides incentives to customers to reduce their demand during peak hours as the economic benefits of doing so can be realized in full in any given month.

The punitive nature of demand ratchets and shortcoming of this structure as not reflecting cost causation has led to demand ratchets falling out of favor with Commissions across the U.S. Most recently, the Arizona Corporation Commission concluded that demand ratchets distort customer incentives to reduce peak consumption. The Commission directed one of the state's largest utilities to design a non-ratcheted alternative for large commercial customers seeking to install energy storage.

As Hawaii looks to transition to an energy system that leverages advanced technologies, like battery storage technologies and other load management solutions, EFCA believes it is critical that obsolete rate structures like demand ratchets be eliminated or significantly reformed. The time is ripe for the Commission to explore non-ratcheted rate options.

EFCA believes that the Rate Case may provide a good venue to address this concern, given that this rate element has been included in HECO's Rate Case filing. EFCA has also raised this concern in the Commission's Distributed Energy Resource Policy investigative proceeding, in Docket 2014-0192.¹ While we are somewhat agnostic as to the policy forum where this gets addressed, timing is important and we request this issue be resolved through whatever forum would allow for the speediest resolution. Storage technologies exist today and are being deployed across the country to help customers manage their exposure to demand charges and reduce their impacts on the system. Customers in Hawaii should be afforded the same opportunity.

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¹ See Energy Freedom Coalition of America, LLC's Tariff Proposals for Issue Nos. 1 and 2 Pursuant to Order No. 34206, filed January 30, 2017, at 12-16.

Respectfully submitted,

ENERGY FREEDOM COALITION OF AMERICA, LLC

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IBEW1260

'A'OHE HANA NUI KE ALU 'IA

Public Hearing Statement
Docket No. 2016-0328
HECO Application for Rate Increase

February 22, 2017
Ala Wai Elementary School Cafeteris

Chair Iwase, Commissioner Akiba, and Commissioner Gorak.

The International Brotherhood of Electrical Workers Local Union 1260 AFL-CIO ("IBEW1260") represents over 3500 members across the State of Hawaii, nearly 1000 of whom are employed by the Hawaiian Electric Company and offers the following comments in **support** of HAWAIIAN ELECTRIC COMPANY INC's ("HECO") proposed rate increase.

While the IBEW understands the hardship any rate increase on a service as essential as electricity places on families and businesses, including our own members, this increase is necessary for many reasons, one of which is tackling and stabilizing fuel cost, the largest cost component directly passed on to a customer's electric bill.

IBEW1260 members are on the front lines everyday working to provide efficient, reliable energy to Oahu schools, hospitals, businesses and its 950,000 residents. Our members, in partnership with management, serve this community twenty-four hours a day, seven days a week, rain or shine. Additionally, IBEW1260, as an integral partner in Hawaii's energy systems, has experienced first-hand the effort the Hawaiian Electric Companies put into improving our electric utility industry in regard to efficiency, reliability, cost-reduction, new rate structures and, most importantly, a move towards our renewable energy future.

IBEW members are skilled, well trained and competitive. For our members to continue providing the quality, reliable, 24/7 service our State has become accustomed to, while simultaneously transitioning into a renewable energy future, requires investment from and partnership of all stake holders, the Company, Union, and Community. As such, we must acknowledge the complexities and costs realities involved in running an energy system independent from any other grid and this proposed rate increase should be looked at for what it is; an investment into stabilizing energy costs and securing our energy future.

On behalf of our members and their families, mahalo for this opportunity to share our position, **in support** of, the HECO rate increase application.

Sincerely,



Michael M. Brittain
Asst. Business Manager
IBEW1260 / AFL-CIO